

TOWNSHIP OF ZILWAUKEE
SAGINAW COUNTY, MICHIGAN

FINANCIAL STATEMENTS

MARCH 31, 2007

FRANCIS H. MCKENNA
Certified Public Accountant

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ZILWAUKEE TOWNSHIP	County SAGINAW
Fiscal Year End March 31, 2007	Opinion Date May 9, 2008	Date Audit Report Submitted to State May 11, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

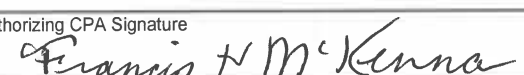
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N

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Francis H. McKenna, CPA		Telephone Number 989-791-2110	
Street Address 300 St Andrews Rd Ste 402		City Saginaw	State MI
Zip 48638			
Authorizing CPA Signature 	Printed Name Francis H. McKenna, CPA	License Number 1101006949	

Zilwaukee Township

SUPERVISOR

DAVID BRADT

CLERK

PATRICIA BRADT

TREASURER

SUE A. CAMERON

TRUSTEE

CATHERINE VanBLARCOM

TRUSTEE

MARK B. GOTTLER

ZILWAUKEE TOWNSHIP

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REQUIRED SUPPLEMENTARY INFORMATION:

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FRANCIS H. MCKENNA

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

May 9, 2008

To the Township Board
Township of Zilwaukee
Saginaw County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Zilwaukee Township**, Saginaw County, Michigan as of and for the year ended **March 31, 2007**, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Zilwaukee Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Zilwaukee Township**, Saginaw County, Michigan at **March 31, 2007**, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying required supplementary information consisting of budget comparison information on pages 22 through 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consists principally of inquires of management regarding the methods of measurements and presentation of the required supplementary information. However, I did not audit the information and express no opinion in it.

Zilwaukee Township has not presented a management's discussion and analysis, which would be an analysis of the financial performance of the fiscal year. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise **Zilwaukee Township's** basic financial statements. The accompanying other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of **Zilwaukee Township**. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



FRANCIS H. MCKENNA
Certified Public Accountant

ZILWAUKEE TOWNSHIP

STATEMENT OF NET ASSETS MARCH 31, 2007

		Primary Government
		Governmental Activities
ASSETS:		
Cash and cash equivalents		\$ 52,892
Restricted cash and cash equivalents		59,930
Receivables, net of allowance for uncollectibles:		-
Delinquent taxes receivable – real property		6,027
Delinquent taxes receivable – personal property		-
Due from State		813
Due from Tax Collection Fund		16,120
Prepaid insurance		1,797
Capital assets:		
Land		9,736
Buildings		116,729
Office equipment		2,102
Accumulated depreciation		<u>(27,077)</u>
Total Assets		239,069
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 2,117	
Payroll deductions payable	493	
Accrued bond interest payable	<u>-</u>	
Total Current Liabilities	2,610	
Noncurrent Liabilities:		
Bonds Payable	<u>-</u>	
Total Liabilities		<u>2,610</u>
NET ASSETS:		
Invested in capital assets, net of related debt	101,490	
Restricted for:		
Fire Protection	1,254	
Rubbish Collection	6,916	
Street Lighting	5,293	
Building Inspections	1,079	
Road Improvement	56,990	
Debt Service	4,315	
Unrestricted	<u>59,122</u>	
Total Net Assets		<u>\$ 236,459</u>

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED MARCH 31, 2007

Functions/Programs	Program Revenues			Net (Expense)/ Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
<i>Governmental Activities:</i>				
General government	\$ 29,962	\$ -	\$ -	\$ (29,962)
Public safety	6,044	364	-	(5,680)
Public works	6,349	7,990	-	1,641
Community & economic development	800	-	-	(800)
Other	3,901	-	-	(3,901)
Debt service – interest & fees	248	-	-	(248)
Total governmental activities	<u>\$ 47,304</u>	<u>\$ 8,354</u>	<u>\$ -</u>	<u>(38,950)</u>
General Revenues:				
Taxes				
Property taxes, levied for general purpose				21,311
Property taxes, levied for fire protection				6,700
Other taxes and fees				2,574
Licenses and permits				-
State shared revenue				6,859
Interest earnings				5,627
Rents				8,640
Miscellaneous				280
Total general revenue and taxes				<u>51,991</u>
Change in net assets				13,041
Net assets, beginning of fiscal year				<u>223,418</u>
Net assets, end of fiscal year (Page 1)				\$ 236,459

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

GOVERNMENTAL FUNDS BALANCE SHEET MARCH 31, 2007

	MAJOR FUNDS				
	GENERAL FUND	BUILDING INSPECTION FUND	ROAD FUND	DEBT SERVICE FUND	TOTAL
ASSETS:					
Cash and cash equivalents	\$ 52,892	\$ -	\$ 56,990	\$ 2,940	\$ 112,822
Delinquent taxes receivable – net of estimated uncollectible:					
real property	6,027	-	-	-	6,027
personal property	-	-	-	-	-
Due from State	813	-	-	-	813
Due from General Fund	-	1,079	-	-	1,079
Due from Fiduciary Funds	14,745	-	-	1,375	16,120
<u>TOTAL ASSETS</u>	<u>\$ 74,477</u>	<u>\$ 1,079</u>	<u>\$ 56,990</u>	<u>\$ 4,315</u>	<u>\$ 136,861</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 2,116	\$ -	\$ -	\$ -	\$ 2,116
Payroll taxes payable	493	-	-	-	493
Due to Building Inspection Fund	1,079	-	-	-	1,079
Total Liabilities	3,688	-	-	-	3,688
FUND BALANCES:					
Investment in general fixed assets	-	-	-	-	-
Fund balance -- restricted	13,463	1,079	56,990	4,315	75,847
Fund balance -- unrestricted	57,326	-	-	-	57,326
Total Fund Balance	70,789	1,079	56,990	4,315	133,173
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 74,477</u>	<u>\$ 1,079</u>	<u>\$ 56,990</u>	<u>\$ 4,315</u>	<u>\$ 136,861</u>

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS MARCH 31, 2007

Total Fund Balances for Governmental Funds (Page 3)

\$ 133,173

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities were not financial
resources and therefore, are not reported in the governmental funds.
The capital assets were adjusted as follows:

Non-depreciable capital assets	9,736	
Depreciable capital assets	118,831	
Accumulated depreciation	(27,077)	
Total capital assets		101,490

Prepaid expenses (assets) consumed in governmental activities are not
financial resources when reported as expenditures in the funds using
the purchases method. (Note 1)

1,796

Net Assets of Governmental Activities (Page 1)

\$ 236,459

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	MAJOR FUNDS				TOTAL
	GENERAL FUND	BUILDING INSPECTION FUND	ROAD FUND	DEBT SERVICE FUND	
REVENUE:					
Taxes	\$ 30,009	\$ -	\$ -	\$ 576	\$ 30,585
Licenses and permits	-	-	-	-	-
Federal grants	-	-	-	-	-
State grants & revenue sharing	6,859	-	-	-	6,859
Charges for services	7,990	364	-	-	8,354
Interest and rents	11,894	-	2,365	8	14,267
Other revenue	280	-	-	-	280
Total Revenue	57,032	364	2,365	584	60,345
EXPENDITURES:					
Current:					
General government	26,584	-	774	-	27,358
Public safety	5,811	233	-	-	6,044
Public works	6,349	-	-	-	6,349
Community & econ. develop.	800	-	-	-	800
Other	3,945	-	-	-	3,945
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	10,000	10,000
Interest & fees	-	-	-	423	423
Total Expenditures	43,489	233	774	10,423	54,919
Excess (deficiency) of revenues over expenditures	13,543	131	1,591	(9,839)	5,426
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
Net change in fund balance	13,543	131	1,591	(9,839)	5,426
FUND BALANCE, BEGINNING OF FISCAL YEAR	57,246	948	55,399	14,154	127,747
FUND BALANCE, END OF FISCAL YEAR	\$ 70,789	\$ 1,079	\$ 56,990	\$ 4,315	\$ 133,173

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES MARCH 31, 2007

Net change in fund balances - total governmental funds (Page 5) \$ 5,426

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	0
Depreciation expense	(2,604)

Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. In the current period, these amounts are:

Bond repayments	10,000
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Increase in prepaid insurance	44
Decrease in accrued bond interest payable	175

Change in net assets of governmental activities (Page 2) \$ 13,041

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

FIDUCIARY FUNDS STATEMENT OF NET ASSETS MARCH 31, 2007

	<u>Agency Fund Type (Property Tax Collection Funds)</u>
ASSETS:	
Cash and cash equivalents	\$ 20,300
Delinquent taxes receivable – personal property	<u>14,547</u>
Total Assets	<u><u>\$ 34,847</u></u>
 LIABILITIES:	
Due to other funds	\$ 18,664
Due to other governmental units	<u>16,183</u>
Total Liabilities	<u><u>\$ 34,847</u></u>

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Zilwaukee Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Zilwaukee Township:

A. REPORTING ENTITY

The Township operates as a "general law" township under the laws of the State of Michigan. The governing body of the Township is the Township Board, composed of the supervisor, the clerk, the treasurer, and two trustees. The Township provides the following services as authorized by State statutes: public safety (fire, protective inspections, planning and zoning), public works (road construction, storm drains and some street lighting), parks and recreation, and general administrative services.

Educational services are provided to citizens through the various local school districts that are separate governmental entities. Also, road and street maintenance is provided to the Township through the Saginaw County Road Commission, which is a separate governmental entity.

The accompanying financial statements of Zilwaukee Township include the accounts of all Township operations. The activity or entities included in the financial statements are those for which the Township has oversight responsibility or where the entities' services are provided only within the Township's geographical boundaries and generally available only to the Township's residents.

The Township has also considered all potential component units (traditionally separate reporting entities) for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Township has no component units, and accordingly, has not consolidated any entities into its financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the Township's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling State legislation.
- *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by Township management which can be removed or modified.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS -- continued MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activities are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from good, services, or privileges provided by a given function or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to any compensated absences and claims and judgments, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes are recognized as revenue in the year for which they have been levied, provided they are collected within 60 days after year-end. State sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are remitted to the Township by the State within 60 days after year-end. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are generally recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

The Township reports the following major governmental funds:

- The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. These include the *Road improvement Fund* and the *Building Inspection Department Fund*. Pursuant to Public Act 245 of 1999, the Township's building inspection activity is accounted for as a special revenue fund.
- The *Debt Service Fund* is used to account for the servicing of general obligation debt.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS continued MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Additionally, the Township reports the following fund types:

- *Agency Fund* is used to account for assets held for other governments in an agency capacity, such as tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY:

Cash Equivalents and Investments:

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposits, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan.

All investments, if any, are stated at cost or amortized cost and are made in accordance with P.A. 217, 1982 of the State of Michigan.

Receivables and Payables:

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds".

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS continued MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes Receivable:

Property taxes attach as an enforceable lien on property as of the date they are levied. Delta Community College, Bay/Arenac intermediate school district, Bay City public school district and the state education tax are levied and due on July 1st and become delinquent after September 14th. County and Township taxes are levied and due on December 1st and become delinquent after February 14th. Property taxes are levied on the taxable valuation of the property (as defined by State statutes) located in the Township as of the preceding December 31st.

Delinquent taxes receivable - real property:

The County of Saginaw purchases the delinquent real property taxes of the Township. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes. It is anticipated this will take place May 2005, (Receipts less than 60 days). These taxes have been recorded as revenue for the current year ended March 31, 2005.

Delinquent taxes receivable - personal property:

During March of each year, the County Treasurer returns to the Township Treasurer a statement of all personal property taxes which remain uncollected on the current tax levy with a warrant authorizing the Township Treasurer to collect them according to the law. Such delinquent property taxes which remain unpaid for more than 5 years, after they are returned to the County Treasurer, may be petitioned to the Circuit Court to be removed from the Township records providing the Court shall determine that the Township Treasurer has exercised due diligence in an effort to collect such taxes.

The Township's delinquent personal property taxes unpaid at fiscal year-end are considered uncollectible and have not been recorded as revenue.

Inventories and Prepaids:

The governmental funds report the acquisition of services (i.e insurance) and expendable supplies under the *purchases method* (that is, recognizing a expenditure at the time of purchase rather than based on consumption). Inventory of expendable supplies have not been recorded and the amount of any such inventory is not considered material.

Certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid items in government-wide financial statements.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS continued MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets:

Capital assets, which include property, plant, equipment, infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Roads and bridges are owned and maintained by the County Road Commission and therefore, are not capitalized by the Township.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15 - 20
Buildings	20 - 50
Equipment	5 - 20

Compensated Absences:

The Township does not allow for an accumulation or carryover of unused sick or vacation days.

Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net assets, as applicable.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. Designations of fund balance represent tentative management plans that are subject to change.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS continued MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. PROPERTY TAX REVENUE:

The Township acts as collection agent for Saginaw County, Bay/Arenac Intermediate Schools, Delta College and the Bay City Public School District. Taxes collected on behalf of the school districts and Saginaw County are turned over to the districts and the County following collection and are accounted for in designated Agency Funds.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Township property taxes levied in December of each year and collected within sixty days after the fiscal year end are recognized as revenue in the that fiscal year.

Real property taxes not collected as of March 1st are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer. Delinquent personal property taxes are considered unavailable for the financing of operations and therefore not recorded as revenue.

The 2006 taxable valuation of the Township totaled \$5,372,324.

General Fund:

The Township has the power to levy and collect taxes for general governmental purposes in a sum up to and including one (1) mill on the state taxable value (\$1.00 per \$1,000 of taxable value) of all real and personal property in the City. Also, at the primary election held August 3, 2004, an additional three (3) mill tax levy for a period of ten years, 2006-2015, inclusive, was renewed for general operations of the Township.

On October 21, 2003, the Township established a township wide Fire Protection Special Assessment District under 1951 PA 33, *the township police and fire protection act*.

Also, at the primary election held August 3, 2004, an additional 1 ¼ mill tax levy (\$1.25 per \$1,000 of taxable value) for a period of ten years, 2004-2015, inclusive, was approved for fire protection of the Township.

Debt Service Fund:

At the general primary election held August 6, 1996, the electorate of the Township approved a \$100,000 general obligation unlimited tax bond issue, for the purpose of constructing, furnishing and equipping a new township hall, including land and appurtenances therefore, as well as capitalized interest and bond discount.

F. GENERAL FUND EXPENSE – FIRE PROTECTION FEE:

On January 1, 1979, the Township of Zilwaukee renewed the township's fire protection contract with the City of Zilwaukee and its volunteer fire department. The fire protection fee charged is 1 ¼ mill on the taxable valuation of Zilwaukee Township, to be paid semi-annually in advance.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS continued MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Comparisons to budget are presented for governmental fund types as required by generally accepted accounting principles. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is legally enacted through passage of a resolution on or before March 31.
3. Budgets for the governmental funds are legally adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets are adopted at the functional activity level.
4. The adoption and any amendments of the original budget must meet the requirements of Public Act 621.
5. The Township Board must approve amendments to the budget for changes in activities which exceed \$200 in the General Fund. Management can amend appropriations between activities for amounts less than \$200 without approval of the Township Board. Changes in total expenditures in the Special Revenue and Debt Service Funds must be approved by the Township Board.
6. The legal level of control is at the activity level in the General Fund and at the total expenditure level in the other governmental funds.
7. A comparison of actual results of operations to the General Fund budget as originally adopted and amended is included in the required supplemental information.
8. All annual appropriations lapse at fiscal year end.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS -- continued MARCH 31, 2007

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Cont'd

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS:

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund / Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund --		
Board of Review	600	816
Treasurer	4,300	4,682
Assessor	1,700	1,830
Elections	1,600	1,727
Attorney	1,422	2,360
General government, unallocated	600	724
Street lighting	3,100	3,187
Road Fund --		
General government – (Bank Charges)	0	774

C. STATE CONSTRUCTION CODE ACT:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated administrative overhead costs. A summary of the current year activity and the accumulated surplus generated since January 1, 2000, is reported in the Building Inspections Fund.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS -- continued MARCH 31, 2007

NOTE 3: DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's Board has designated Citizens Bank for the deposit of the Township's funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorized investments bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

Deposits

Deposits are carried at cost. The bank carrying value of deposits held by the respective depository accounts equates to the Township's value of \$ 112,822. Approximately \$102,940 was covered by federal depository insurance and \$9,882 was uninsured and uncollateralized at March 31, 2007. Michigan statutes do not require uninsured deposits to be collateralized.

The deposits are summarized as follows:

Cash for deposit	\$ 0
Demand accounts – money market/checking	68,238
Certificates of deposits	<u>44,584</u>
	<u>\$ 112,822</u>

Investments

For the purposes of providing an indication of the assumed levels of risk, investments are categorized as follows:

Category 1 – Investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

Category 2 – Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name.

Category 3 – Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Township's name.

At March 31, 2007, the Township had no investments.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS -- continued MARCH 31, 2007

NOTE 4: CAPITAL ASSETS:

Primary Government capital asset activity for the year ended March 31, 2007 was as follows:

	APRIL 1, 2006	ADDITIONS	DELETIONS	MARCH 31, 2007
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 9,736	\$ -	\$ -	\$ 9,736
Depreciable capital assets:				
Landscaping	5,544	-		5,544
Buildings	111,185	-	-	111,185
Equipment	2,102	-	-	2,102
	118,831	-	-	118,831
Total Capital Assets	128,567	-	-	128,567
Accumulated depreciation	(24,473)	(2,604)	-	(27,077)
Depreciable capital assets, net	94,358	(2,604)	-	91,754
Governmental activities, capital assets, net	\$ 104,094	\$ (2,604)	-	\$ 101,490

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government:	
Township Property	\$ 2,593
Unallocated	11
Total depreciation expense – governmental activities	\$ 2,604

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS -- continued MARCH 31, 2007

NOTE 5: LONG-TERM DEBT:

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

The following is a summary of long-term debt transactions of Zilwaukee Township for the fiscal year ended March 31, 2007:

	Balance April 1, 2 0 0 6	Additions (Reductions)	Balance March 31, 2 0 0 7
\$100,000 County of Saginaw, Michigan, Zilwaukee Township, Township Hall Bonds (General Obligation Unlimited Tax), dated November 1, 1996; due in annual installments of \$10,000; interest At 5.25%	\$ 10,000	\$ (10,000)	\$ 0

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS -- continued MARCH 31, 2007

NOTE 6: FUND EQUITY

GENERAL FUND:

The General Fund equity balance is restricted for the following at March 31, 2007:

	<u>FIRE PROTECTION</u>	<u>REFUSE COLLECTION</u>	<u>STREET LIGHTING</u>
Reserved Balance, April 1, 2005	\$ 751	\$ 4,480	\$ 4,005
Add: revenue assessments	6,250	4,320	3,550
Less expenses	<u>(6,636)</u>	<u>(3,162)</u>	<u>(2,625)</u>
Reserved Balance, March 31, 2006	365	5,638	4,930
Add: revenue assessments	6,700	4,440	3,550
Less expenses	<u>(5,811)</u>	<u>(3,162)</u>	<u>(3,187)</u>
Reserved Balance, March 31, 2007	<u>\$ 1,254</u>	<u>\$ 6,916</u>	<u>\$ 5,293</u>

DEBT SERVICE FUND:

The fund equity of the Debt Service Fund is restricted for future principle and interest payments on the 1996 Zilwaukee Township Hall Bonds.

SPECIAL REVENUE FUNDS:

The fund equity balance of the various Special Revenue Funds, at March 31, 2007, are restricted as follows:

Building (Inspections) Department Fund	\$ 1,079
Road Fund	<u>56,990</u>
	<u>\$ 58,069</u>

NOTE 7: POST-EMPLOYMENT BENEFITS

The Township has no post-employment benefit plans.

ZILWAUKEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS -- continued MARCH 31, 2007

NOTE 8: RISK MANAGEMENT

The Township of Zilwaukee is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township of Zilwaukee maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the township. Settled claims have not exceeded this commercial coverage in any of the past three years.

**SUPPLEMENTARY
INFORMATION**

ZILWAUKEE TOWNSHIP

GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUE:				
Taxes	\$ 25,560	\$ 29,410	\$ 30,009	\$ 599
Licenses and permits	350	300	-	(300)
Federal grants	-	-	-	-
State grants & revenue sharing	6,200	4,763	6,859	2,096
Charges for services	7,640	7,750	7,990	240
Interest and rents	7,300	9,754	11,894	2,140
Other revenue	300	237	280	43
Total Revenue	47,350	52,214	57,032	4,818
EXPENDITURES:				
Current:				
General government	22,730	25,612	26,584	(972)
Public safety	6,500	5,900	5,811	89
Public works	6,162	6,262	6,349	(87)
Community/Economic devel.	2,500	900	800	100
Other	5,400	4,200	3,945	255
Capital outlay	500	-	-	-
Contingencies	300	-	-	-
Total Expenditures	44,092	42,874	43,489	615
Net Change in Fund Balance	3,258	9,340	13,543	4,203
FUND BALANCE, BEGINNING OF FISCAL YEAR	57,246	57,246	57,246	-
FUND BALANCE, END OF FISCAL YEAR	\$ 60,504	\$ 66,586	\$ 70,789	\$ 4,203

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

BUILDING INSPECTIONS FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL OVER (UNDER) FINAL BUDGET</u>
REVENUE:				
Charges for services, Bldg permits	\$ 600	\$ 600	\$ 364	\$ (236)
EXPENDITURES:				
Current:				
Public Safety, Inspections	<u>600</u>	<u>600</u>	<u>233</u>	<u>(367)</u>
Net Change in Fund Balance	-	-	131	131
FUND BALANCE, BEGINNING OF FISCAL YEAR	<u>948</u>	<u>948</u>	<u>948</u>	<u>-</u>
FUND BALANCE, END OF FISCAL YEAR	<u>\$ 948</u>	<u>\$ 948</u>	<u>\$ 1,079</u>	<u>\$ 131</u>

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

ROAD FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUE:				
Interest earned	\$ 600	\$ 600	\$ 2,365	\$ 1,765
EXPENDITURES:				
Current:				
General government (Bank Chg)	-	-	774	774
Public works	10,000	10,000	-	(10,000)
Net Change in Fund Balance	(9,400)	(9,400)	1,591	10,991
FUND BALANCE, BEGINNING OF FISCAL YEAR	55,399	55,399	55,399	-
FUND BALANCE, END OF FISCAL YEAR	\$ 45,999	\$ 45,999	\$ 56,990	\$ 10,991

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

DEBT SERVICE FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUE:				
Taxes	\$ -	\$ -	\$ -	\$ -
Delinquent taxes	-	-	576	576
Tax penalties	-	-	-	-
Interest earned	-	-	8	8
Total Revenue	-	-	584	584
EXPENDITURES:				
Debt service payments:				
Principal	10,000	10,000	10,000	-
Interest	263	263	263	-
Paying agent fees	160	160	160	-
Total Expenditures	10,423	10,423	10,423	-
Net Change in Fund Balance	(10,423)	(10,423)	(9,839)	584
FUND BALANCE, BEGINNING OF FISCAL YEAR	14,154	14,154	14,154	-
FUND BALANCE, END OF FISCAL YEAR	\$ 3,731	\$ 3,731	\$ 4,315	\$ 584

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

GENERAL FUND

SCHEDULE OF REVENUE -- BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
TAXES:				
Current property taxes – Oper.	\$ 19,000	\$ 18,500	\$ 20,735	\$
Current property taxes – Fire	4,200	4,200	6,700	
Delinquent pers. property taxes	200	3,000	-	
Tax penalties	60	60	-	
Tax administration fees	1,500	1,500	1,915	
Tax administration fees - schools	600	600	659	
	25,560	27,860	30,009	2,149
LICENSES AND PERMITS:	350	300	-	(300)
STATE SHARED REVENUE:				
Sales and use tax	4,200	3,753	5,849	
Telecom. Rights of Way	2,000	1,010	1,010	
	6,200	4,763	6,859	2,096
CHARGES FOR SERVICES:				
Zoning board of appeals fees	500	500	-	
Dog license fee	-	-	-	
Rubbish collection	4,100	4,200	4,440	
Street lighting	3,040	3,550	3,550	
	7,640	8,250	7,990	(260)
INTEREST AND RENTS:				
Interest	100	1,114	3,254	
Rent	7,200	8,640	8,640	
	7,300	9,754	11,894	2,140
OTHER REVENUE:				
Miscellaneous	300	237	280	
	300	237	280	43
TOTAL REVENUE	\$ 47,350	\$ 51,164	\$ 57,032	\$ 5,868

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

GENERAL FUND

SCHEDULE OF EXPENDITURES -- BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
GENERAL GOVERNMENT:				
Legislative - Township Board	\$ 1,000	\$ 1,100	\$ 872	\$
Chief Executive (Supervisor)	4,380	4,780	4,715	
Clerk	3,700	4,800	4,268	
Accounting	3,000	2,550	2,550	
Board of Review	600	600	816	
Treasurer	3,800	4,300	4,682	
Assessor	2,000	1,700	1,830	
Elections	1,200	1,600	1,727	
Township hall & other property	2,100	2,160	2,040	
Attorney	350	1,422	2,360	
Unallocated	600	600	724	
	22,730	25,612	26,584	(972)
PUBLIC SAFETY:				
Central dispatch	-	-	-	
Fire protection	6,500	5,900	5,811	
Building Inspections Dept.	-	-	-	
	6,500	5,900	5,811	89
PUBLIC WORKS:				
Highways and streets	-	-	-	
Drains – public benefit	-	-	-	
Street lighting	3,000	3,100	3,187	
Sanitation, refuse coll'n & disp	3,162	3,162	3,162	
	6,162	6,262	6,349	(87)
COMMUNITY DEVELOPMENT:				
Planning	2,400	900	800	
Zoning Board of Appeals	100	-	-	
	2,500	900	800	100
OTHER ACTIVITIES:				
Township share of Social Sec Insurance	1,400	200	-	
	4,000	4,000	3,945	
	5,400	4,200	3,945	255
CAPITAL OUTLAY:				
Township Hall	250	-	-	
Equipment	250	-	-	
	500	-	-	-
CONTINGENCIES	300	-	-	-
TOTAL APPROPRIATIONS AND EXPENDITURES	\$ 44,092	\$ 42,874	\$ 43,489	\$ (615)

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	BALANCE APRIL 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE MAR. 31, 2007
CURRENT TAX COLLECTIONS FUND:				
<u>Assets:</u>				
Cash for deposit	\$ -	\$ -	\$ -	\$ -
Cash, checking	188,815	193,328	361,843	20,300
Total Assets	\$ 188,815	\$ 193,328	\$ 361,843	\$ 20,300
<u>Liabilities:</u>				
Due to General Fund	\$ 41,924	\$ 42,663	\$ 69,842	14,745
Due to Debt Service Fund	11,477	3,025	13,127	1,375
Due to Saginaw County	35,369	34,124	65,484	4,009
Due to Schools	49,387	56,391	106,186	(408)
Due to Intermediate School Districts	18,980	21,690	40,660	10
Due to Delta College	7,985	9,000	16,962	23
Due to State	23,693	26,435	49,582	546
Refunds/Overpayments	-	-	-	-
Total Liabilities	\$ 188,815	\$ 193,328	\$ 361,843	\$ 20,300
DELINQUENT TAX COLLECTIONS FUND:				
<u>Assets:</u>				
Cash	\$ -	\$ -	\$ -	\$ -
Delinquent taxes receivable -				
2005 personal property	13,215	-	555	12,660
2006 personal property	-	1,887	-	1,887
Total Assets	\$ 13,215	\$ 1,887	\$ 555	\$ 14,547
<u>Liabilities:</u>				
Due to General Fund	\$ 1,610	\$ 10	\$ -	\$ 1,620
Due to Debt Service Fund	924	-	-	924
Due to Saginaw County	2,249	175	555	1,869
Due to Bay City Schools	5,016	1,033	-	6,049
Due to Intermediate School Districts	1,300	254	-	1,554
Due to Delta College	537	105	-	642
Due to State	1,579	310	-	1,889
Total Liabilities	\$ 13,215	\$ 1,887	\$ 555	\$ 14,547

The accompanying notes are an integral part of these financial statements.

ZILWAUKEE TOWNSHIP

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - Continued FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	BALANCE APRIL 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE MAR. 31, 2007
TOTAL – ALL AGENCY FUNDS:				
<u>Assets:</u>				
Cash for deposit	\$ -	\$ -	\$ -	\$ -
Cash, checking	188,815	193,328	361,843	20,300
Delinquent taxes receivable -- personal property	13,215	1,887	555	14,547
Total Assets	\$ 202,030	\$ 195,215	\$ 362,398	\$ 34,847
<u>Liabilities:</u>				
Due to General Fund	\$ 43,534	\$ 42,673	\$ 69,842	\$ 16,365
Due to Debt Service Fund	12,401	3,025	13,127	2,299
Due to Saginaw County	37,618	34,299	66,039	5,878
Due to Schools	54,403	57,424	106,186	5,641
Due to Intermediate School Districts	20,280	21,944	40,660	1,564
Due to Delta College	8,522	9,105	16,962	665
Due to State	25,272	26,745	49,582	2,435
Refunds/Overpayments	-	-	-	-
Total Liabilities	\$ 202,030	\$ 195,215	\$ 362,398	\$ 34,847

The accompanying notes are an integral part of these financial statements.

FRANCIS H. MCKENNA
Certified Public Accountant

300 ST. ANDREWS ROAD
SAGINAW, MI 48603-5977
TEL (989) 791-2110
FAX (989) 791-3470

May 9, 2008

The Township Board
Zilwaukee Township
c/o Patricia Bradt, Clerk
7600 Melbourne Road
Saginaw, MI 48604-9781

SUBJECT: Audit Communication with those Charged with Governance
 Including Audit Comments and Recommendations
 Fiscal year ended March 31, 2007

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Zilwaukee Township** for the fiscal year ended **March 31, 2007**, and have issued my report thereon dated May 9, 2008. Professional standards require that I provide you with the following information related to my audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated August 15, 2007, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Zilwaukee Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2007. I noted no transactions entered into by the township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for doubtful delinquent personal property taxes is based on historical tax collection history and an analysis of the collectability of individual accounts. I evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The completion of my audit was delayed, in part, due to difficulties in reconciling property tax revenue to the taxes levied, delinquent and actual collections as deposited into the Tax Account for both the 2005 and 2006 tax levies. It was extremely difficult to reconcile the Tax Account remaining "cash balance amount" to the corresponding liability detail of tax revenues collected that were due to other governmental units or funds.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated May 9, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Internal Control

In planning and performing the audit of the financial statements of Zilwaukee Township as of and for the fiscal year ended, March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Zilwaukee Township's internal control over financial reporting (internal control) as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the township's internal control. Accordingly, I do not express an opinion on the effectiveness of Zilwaukee Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

Subject: Audit Communication with those Charged with Governance
Fiscal year ended March 31, 2007

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and related benefits. I am responsible for communicating significant deficiencies and material weakness in accordance with professional standards, regardless of management's decisions.

Financial Accounting and Reporting

Management relies on the township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as part of my engagement to audit the financial statements, I drafted the financial statements and the related footnotes for approval by management. This is a conscious and practical approach to preparing the financial statements, since the Township has determined that the costs to establish internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

Filing Date of Audit Report not met

Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, requires units of local government to obtain an audit of its financial records and file the audit with the Michigan Department of Treasury within six months after the end of the local unit's fiscal year.

Delinquency in Distribution of Property Tax Collections (Repeated Comment)

Again, I noted that the township was late in the distribution of both the 2005 and 2006 current property tax revenues that were collected for other taxing units. As a reminder, a township that has a state equalized valuation of less than \$15,000,000 shall distribute taxes collected up to and including January 10, within 10 business days after January 10th. However, the township treasurer shall at no time have on hand tax collections in excess of 25% of the amount of taxes apportioned to the township and, when tax collections on hand reach this percentage, the township treasurer shall immediately account for and turn over the taxes collected to the taxing authorities.

It is possible that the change in township treasurers may have contributed to this situation. The 2006 tax collections were distributed in April 2007.

Tax Collection Account Reconciliation (Repeated Comment)

As noted above, the lack of reconciling tax collections detail and tax distributions to both the taxes levied and to the monthly bank statement cash balances continues to be a problem. Not only did this delay the audit, it made the determination of the detail of tax revenue collections "due to others" difficult.

The Township has recently installed an updated version of the Pontem tax software. This new software version should enable the township staff to reconcile tax revenue collections by each taxing authority and to the bank statements in a timelier manner.

I also recommend that delinquent tax collections be distributed to the respective taxing authorities as soon as they are deposited. The failure to do so has contributed to the "tax account" analysis problems. If deemed necessary, a separate bank account may be used for this purpose.

Excess Expenditures over Budget Appropriations (Repeated Comment)

Public Act 621 of 1978, Section 18(1), as amended, provides that the township shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2007 Zilwaukee Township incurred expenditures, which exceeded the amounts appropriated for selected activities within the General Fund, as indicated in the notes to the financial statements.

Though the Board is reviewing the budget as compared to expenditures, I suggest that the Township Board on a periodic basis, closely review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

Other Comments

Accounting Software

I recommend that the township consider upgrading its accounting record keeping system to that of commercially provided computerized accounting software, such as Pontem Software, etc. Doing so should make the accounting function and interim monthly budget & financial reporting easier.

This communication is intended for the sole use of the **Zilwaukee Township** Board of Trustees, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Francis H McKenna
Certified Public Accountant